

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1772-01
Bill No.: SB 583
Subject: Taxation and Revenue - Income; Tax Credits; Business and Commerce;
 Agriculture and Animals.
Type: #Updated
Date: March 11, 2003
 #Updated based upon Oversight Assumptions

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
#General Revenue	Unknown, Exceeding \$100,000	Unknown, Exceeding \$100,000	Unknown, Exceeding \$100,000
#Total Estimated Net Effect on General Revenue Fund	Unknown, Exceeding \$100,000	Unknown, Exceeding \$100,000	Unknown, Exceeding \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state that Total State Revenues (TSR) could be impacted positively from this bill. Chapter 135.766 RSMo. was repealed as part of legislation that was formerly codified into law but later declared unconstitutional. DED still projects the impact of this credit in revenue projections (for FY 2004, projections are \$200,000 for authorized and \$80,000 for redeemed). Therefore, passage of this bill would result in an estimated positive impact on TSR which is tempered by amended returns in FY 04 and 05.

DED assumes no administrative impact on the department resulting from the bill. Current projections are \$80,000 redeemed per year. DED assumes positive impact on TSR in the amount of \$60,000 in FY 04, \$70,000 in FY 05 and \$80,000 in FY 06.

Officials from the **Department of Revenue** assume this proposal would have no administrative impact on their agency.

ASSUMPTION (continued)

Officials from the **Department of Agriculture** did not respond to our request for fiscal impact.

#Oversight assumes the enabling legislation (HB 139) for this tax credit program was passed in 1999. In the 2000 legislative session, SB 894 was passed that repealed the program, however, this entire bill was declared unconstitutional in 2002. Therefore, the tax credit program is effectively, still on the Missouri Statutes. This proposal attempts to repeal the program once again.

#According to the Small Business Administration, roughly \$3.1 million in loan fees were paid by Missourians in the fiscal year ended September 30, 2002. According to the United States Department of Agriculture (USDA), roughly between \$150,000 and \$300,000 in Rural Development loan guarantee fees are collected in a given year. Also according to the USDA, roughly between \$400,000 and \$500,000 in Farm Service Agencies loan guarantee fees are collected in a given year.

#With this program, tax credits for these fees could be applied against Missouri taxes due, however, not all payees of these fees will have sufficient tax liability to be able to offset with the tax credit. Since this credit cannot be sold, carried forward or carried back, the amount of tax credits that will be able to be used against Missouri taxes will be somewhat limited. Therefore, **Oversight** assumes that without this legislation (repeal of the Small Business Guarantee Fee Tax Credit) an unknown amount of tax credits, exceeding \$100,000, would be utilized against Missouri income taxes. Therefore, Oversight assumes this repeal will result in a savings to the General Revenue fund of an unknown amount, over \$100,000 in each of the three years of the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
#GENERAL REVENUE			
#Savings - Repeal of the Small Business Guarantee Fee Tax Credit	Unknown, exceeding <u>\$100,000</u>	Unknown, exceeding <u>\$100,000</u>	Unknown, exceeding <u>\$100,000</u>
#ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	UNKNOWN, EXCEEDING <u>\$100,000</u>	UNKNOWN, EXCEEDING <u>\$100,000</u>	UNKNOWN, EXCEEDING <u>\$100,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal repeals the Small Business Guaranty Fee Tax Credit which was repealed by SB 894 (2000). That bill was held unconstitutional for clear title problems and thrown-out by the Supreme Court. This proposal would repeal the tax credit once again.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue

NOT RESPONDING: Department of Agriculture



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